Alberta
MINISTER OF INTERNATIONAL TRADE

Office of the Minister

324 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2535 Telex 037-2638

September 1985

The United States is one of Alberta's largest and most important markets for manufactured products and services.

Many companies have achieved great success in marketing their products in the United States. However, your business may be entering the American market for the first time and the guidelines, proper procedures and marketing to penetrate this area may be unfamiliar to you and your associates.

Based on our experience and information gained from the departmental trade representatives, we have put together a two booklet series "Exporting to the United States" to assist you. These booklets address basic questions on Market Strategies, Government Assistance Programs, Customs Procedures and Export Finance Programs.

I believe "Exporting to the United States" will help you in identifying and expanding your business in this large and important market.

I wish you every success in your endeavours.

Sincerely,

Horst A. Schmid
Minister

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Your Potential in the United States

This section serves as an introduction to exporting to the U.S., by addressing the overall potential for your firm and the considerations required.

Products and Services

Over 75% of our exports are destined for the U.S.

Many small Alberta firms have accounted for these exports, as well as mid-size and large firms. The personal attention provided by small firms is a great strength in developing exports to the U.S., as is their ability to identify market niches untouched by larger firms, and to plan and react in a fast and decisive manner.

Although successful exporters to the U.S. have taken various approaches to market entry, many of them have been successful as a result of their handling of the U.S. market as if it was an international rather than domestic market. Others have attributed their success to the fact that they initially targetted specific regional markets in the U.S.

Export Capabilities and Planning

Before attempting to export to the U.S., a firm is wise to examine its own capabilities for export, and these include:

- sufficient productive capacity and financing for export
- availability of personnel to concentrate on export
- patience to research and analyze U.S. export markets and potential
- similarly, patience to research and analyze prospective U.S. buyers
- a commitment to track down leads vigorously
- a commitment to follow up, and follow through
- a commitment to the longer term marketing plans rather than simply short term results

Commitment cannot be over-emphasized; commitment to thoroughness, professionalism and perseverance.

The exporter to the U.S. should undertake sufficient market research to be able to develop a marketing plan that addresses:

- how to enter the U.S. market, and where to start
- how to compete against local competition and other importers
- required product service, and process changes
- selection of distribution channels
- pricing
- financing production, export inventory and receivables
- advertising and sales promotion
- assessment of duties and import regulations
- estimated short and long term sales volume potential
- total estimated costs of doing business in the U.S.

Export Organization

Once the necessary market research has been undertaken, and the marketing plan developed, the would be exporter to the U.S. needs to attend to organizational and administrative aspects.

Typically, an export department in a larger firm may be comprised of an export manager, a shipping clerk and a secretary. However, the typical smaller business endeavouring to export to the U.S. might make one person responsible for these functions, with secretarial and accounting assistance as required. The functions to be covered might typically include:

Management of Export

— Plan, organize, direct, and control all activities of the firm/department
— Actively seek export markets through marketing research
— Plan field visits from time to time, maintain correspondence with customers
— Handle all export enquiries and follow-up enquiries
— Ensure product quality
— Calculate export price and quote price
— Provide appropriate packaging, branding
— Maintain supplies, specific delivery dates, execute orders
— Research transportation alternatives
— Liaise with government departments engaged in export promotion
— Prepare promotional material, actively promote product
— Participate in trade shows, missions, and exhibitions
— Arrange loans, handle major financial matters
— Provide after sales service

Export Administration

— Maintain close contacts with shipping firms and insurance companies
— Arrange dispatch of exports
— Help Export Manager in calculation of prices with freight information
— Arrange freight
— Supervise packing; make sure goods are packed well
— Prepare all shipping documents as required by importer
— Arrange for pre-shipment inspection when needed
— Maintain customer cards showing details of each shipment made, sales order book, purchase book, indent sheets, etc.
— Help Export Manager with research on markets

Secretarial

— Maintain records of all correspondences
— Type all correspondence
— Maintain sales records up-to-date
— Type invoices, shipping documents
— Help research work of Export Manager

Other considerations

— need for telex facilities and cable address — CNCP Telecommunications can advise on both
— the development of U.S. Customer and prospect mailing lists
— U.S. export oriented brochures and technical data
— the development of contacts in the regional markets targetted, e.g. local bankers, shipping companies, insurance firms, Chambers of Commerce. These can result in sales leads and advice on exporting to these regional markets.

Market Research

This section commences with an assessment of some of the many questions that need to be addressed, for market research purposes.

How are the questions answered?

By referring to the following sections on "Sources" and "Export Administration."

Information

Market research is essential in order to be able to determine U.S. export potential and how best to penetrate the market.

Much initial research can be accomplished verify economically from one's base in Alberta, leading to an eventual visit or series of visits, to refine and build on the initial data acquired.

Market research information required includes:

The Market

— What are the tariff barriers, taxes, and import policies for the product or service?
— What is my target market or market niche?
— What is the size of the market, its growth rate, and short and long-term potential?
— What is my domestic production or supply?
— Who are my main competitors and what is their market share? Do any dominate the market?
— What are the strengths and weaknesses of the competitors?
— How does the market operate—through distributors, wholesalers, or without middlemen?
— What is the population size, growth, income levels, etc. in the target market areas to be served?
— What is the economic situation in my market?
— How are business practices in the U.S. different to those in Canada?
— When are the festivals and holidays in the U.S.?
— Are there trade agreements with Canada relating to any product or service?
— What is the attitude towards Canadian products and services by the government purchasing agencies and consumers?
— What peculiarities of the market should I take into consideration — buy American provisions, Minority Business Enterprise provisions.

The Product or Service

— What product or service modifications are needed to meet the needs of the target market, e.g. codes or standards??
— How is the product or service used?
— Do I have or require a warranty and service manual?
— Do I require a parts list?
— What size, colour, design, style, etc. are preferred by the users?
— What are the features of my product or service in comparison with the competition?
— If the product or service is new. has it been tested adequately?
— What are the branding. packaging, and labelling requirements?
— What are the required technical specifications of my product or service?
— What after-sales service, such as parts, repair, follow up, etc. are required?
— Are health and safety standards met if required?
— Is technology changing fast? Can I maintain product or service superiority?
— Are there any production or supply problems?
— Can the buyer rely on me for uninterrupted supplies and good follow-up services?

Price

— What exchange rate should be used for quoting in U.S. dollars?
— What are the various price quotations to specific markets?
— How much flexibility do I have on price?
— What are my competitors' prices?

— What mark-up is deserved over cost?
— What is my profitability at various price levels?
— How reliable and accurate is the cost information?
— What are the terms of payment desired from buyers?
— Can I offer a "price package"?
— Should I quote "Free on Board" (F.O.B.) or "Cost, Insurance, Freight" (C.I.F.)?

Distribution

— Do I sell direct or via distributors, agents or brokers?
— What is the product distribution structure in the market?
— What are the mark-ups normally sought by the middlemen in the industry?
— What kind of promotional assistance will be given by middlemen?
— What is the quality of the sales force of prospective agents?
— Who are the main importers; what is their reputation, efficiency, and financial strength?
— What are the alternative methods of exporting to be considered?
— Does the market area specify the type of distribution allowed?
— Is an exclusive agency or distributorship desirable?
— Is the market dominated by one middleman or supplier?
— How are the goods to be packed for transportation?
— What types of carriers are needed? What are the transportation costs?
— How and where should my product enter the U.S.?
— Are prospective agents capable of providing satisfactory technical service?

Promotion

— What kinds of promotion are desired and feasible?
— What kind of promotional allowance is to be given to agents?
— What are the promotional techniques used by my competitors?
— Have I prepared brochures for mailing to potential buyers?
— Are modifications desired for my promotional materials?
— Do I look actively for sales leads?
— How can I generate sales leads?
— Am I familiar with buyers' guides, trade directories, etc.?
— How often is the market to be visited for personal contact?
— What barriers are there in communicating effectively with the marketplace?

Financing and Documentation

— How will my production and exports be financed?
— Do I have a budget for major export activities of the firm?
— What type of credit is to be offered to buyers?
— What are the exchange rates?
— What types of documents are required? Are there any particular problems?
— What kind of assistance is provided by banks?
— Do I know about the various federal and provincial assistance programs?

Strategies

— Do I have an overall marketing plan?
— Will the product or service compete on performance, features, reliability, price, credit terms, after-sales service, and styling, or on a combination of these and other factors?
— Will sales be obtained by creating a new market, or sub-market, or by taking sales away from competition?
— Can my product or service be positioned strategically in relation to other products to serve the market which I have selected?
— Will the product be marketed in a few selected markets in the U.S., or nationally?

Sources

Sources of market research information include:

Type of Information Sought:	Sources:	Comments:
Trade		
U.S. Export/Import Statistics, main exports, growth in market, market and export assistance to the U.S.	Alberta International Trade "Country Profiles" (1984)	Alberta International Trade 11th Floor Sterling Place, 9940 - 106 Street, Edmonton, Alberta, T5K 2P6 Telephone 427-4809
	Statistics Canada Merchandise Exports Annual — Catalogue #65-003	Annual Stat. Canada offices in major cities have other trade-related publications as well. See Page 15 for addresses.
Tarriff barriers, rates, import policy, customs requirements, product classification, internal taxes.	U.S. Custom Directory 1301 Constitution Ave. N.W. Washington D.C. 20229 (202) 566-8195	Shows rate of duty for products entering U.S.A.
	"Importing to the United States", Dept. of Treasury, U.S. Customs Services Wash., D.C. 20229	100 page booklet Very useful
Standards	North American Packaging Federation c/o The Packaging Institute 342 Madison Avenue New York, N.Y. 10017 U.S.A.	A source of information on U.S. Packaging Standards.
	American National Standards Institute 1430 Broadway New York, N.Y., 10018 U.S.A. Telephone: (212) 354-3300	A source of information on U.S. standards
	American Institute of Weights and Measures P.O. Box 1122 Erie, Pennsylvania 16512 U.S.A. Telephone: (814) 833-7455	A source of information on U.S. weights and measures.

Type of Information Sought:	Sources:	Comments:
Canadian exporters, products exported	Canadian Trade Index Canadian Manufacturers' Association, 1 Yonge St. Toronto, M5E 1J9	Available at most major libraries.
	Export Canada Directory P.O. Box 1048, Station A Surrey, B.C. V3S 4P5	Available at some major libraries.
Canadian Trading Houses	Directory of Canadian Trading Houses	New. Available at local D.R.I.E. Offices. See page 13 for addresses.
Market Surveys	D.R.I.E. Economic Surveys of selected states, products or services.	Available from D.R.I.E. offices. See page 13 for addresses.
	Foreign Trade Statistics & Trends in World Supply & Demand for Agricultural Products. OECD Publications, Suite 1207, 1750 Pennsylvania Ave. N.W., Wash. D.C. 20006 U.S.A. Telephone: (202) 724-1857	Available at some major libraries.
	Directory of Directories	Available at all major libraries.
	Directory of Trade Associations	Available at most major libraries. Of particular interest is the Manufacturing Association of North America and the many sector specific trade associations relating to products and services.
Economic/Geographic		
Economic indicators, income, purchasing power, domestic production, consumption, product usage levels.	Statistical Yearbooks for the U.S.	Available at all major libraries.

Type of Information Sought:	Sources:	Comments:
Market share studies	Market Share Reports Catalogue, National Technical Information Services, 5285 Port Royal Rd., Springfield, Virgina, U.S.A, 22161. Also: Director of Marketing Division, Bureau of USA Trade Development 235 Queen St., Ottawa. Tel: (613) 593-5467	Reports on over 900 manufactured products. Trade performance of U.S. in comparison to 13 other nations.
Country		
Basic information such as size, poplation, neighbouring countries, chief ports, air routes, business hours, holidays, currency, weights and measures, electric current used, languages, travel facilities, banks, business customs and practices, climate.	United States — A Guide for Canadian Exporters. A series of regionally oriented booklets.	Free from D.R.I.E. Offices, see page 13 for addresses.
	Exporter's Encyclopedia, Dun & Bradstreet. See page 13 for address.	Available at major libraries.
Present political situation	Current Periodicals, newspapers.	Available at libraries.
Distribution		
Foreign importers, trading houses, distributors, agents, wholesalers, retailers, buyers, etc.	A variety of trade or commercial directories.	Available at major libraries.
	American Export Register, Thomas International Publishing Co., 1 Penn Plaza 250 W 34 Street, New York, N.Y. 10119 (212) 695-0500	U.S. Manufacturers and product classifications, brokers, freight, forwarders, etc.

Type of Information Sought:	Sources:	Comments:
	Canadian Trade Index Directory, Canadian Manufacturers' Assn., 1 Yonge Street, Toronto	Available at major libraries.
Trading Houses in Canada, buying agents	Directory of Canadian Trading Houses, Service Industries Branch D.R.I.E., Ottawa 995-8107, or from local D.R.I.E. Offices, see page 13 for addresses.	Comprehensive listing of 640 Canadian Trading Houses.
Transportation, shipping costs, routes, sea and air shipping costs	Freight forwarders, domestic and foreign, shipping companies and airlines.	Consult the Yellow Pages in your phone directory.
	"Simplifying Your Transportation to Southern U.S. Markets", August 1984, External Affairs Canada	Available free from D.R.I.E. Offices, see page 13 for addresses.
	"Export/Import Traffic Mgmt. & Forwarding" by Alfred Murr, Cornell Maritime Press, Cambridge Maryland, U.S.A. 21613	An authoritative text on freight forwarding.
Prices		
	Commodity Trade & Price Trends, Annual, World Bank, published by John Hopkins University Press, Baltimore, U.S.A.	An authoritative text on commodity trade and prices.
	Yearbook of International Trade Statistics	Price indexes for certain commodities — refer to the last section, Vol. 2. Available at major libraries.
Finance & Documentation		
	Alberta Economic Development Guarantee Program Special Projects 12th Floor, Sterling Place 9940 - 106 Street Edmonton, Alberta, T5K 2P6 Telephone: 427-3300	

Type of Information Sought:	Sources:	Comments:
	Alberta Export Service Supplies Project Special Projects 12th Floor, Sterling Place 9940 - 106 Street Edmonton, Alberta, T5K 2P6 Telephone: 427-3300	
Financing of exports, foreign exchange, terms of payment, handling of documents, etc.	Local bankers — domestic and foreign	Banks have booklets on export financing — usually free.
	"How to Finance Exports," Canadian Bankers' Assn. P.O. Box 282, Toronto	Available at some major libraries.
	Finance companies	Consult the Yellow Pages in your phone directory.
	Federal Business Development Bank	Contact your local branch.
	COSTPRO — The Canadian Organization for the Simplification of Trade Procedures, 1515 Sparks Street, Ottawa, Ontario K1P 5E3	Vol. III — Canadian Trade Document Alignment System Manual for Simplification of Documents
	Factoring companies	Includes some banks
	Incoterms — Canadian Chamber of Commerce handbook, International Chamber of Commerce, 1080 Beaver Hall Hill, Montreal H2Z 1T2	Available through Chambers of Commerce and at some major libraries.
	Freight forwarders and Custom brokers	Handle all documents consult Yellow Pages.
	"ABC — Assistance to Business in Canada" — Ministry of Supply & Services, Canada, 1979, Cat. No. ID31/61/1979	Federal government directory of business assistance programs.
	Documentation Handbook, Dun & Bradstreet -- see below for address.	Available as a package with Exporters' Encyclopedia

Other general market research book sources include:

Digest of Commercial Laws of the World
Oceana Publications Inc.
Dobbs Ferry
New York, 10522 N.Y.

"World Trade News"
Canadian Manufacturer's Assn.
1 Yonge Street
Toronto, Ontario M5E 1J9
Telephone: (416) 363-7261

"Trade Channel"
E.C. Smith Associates
Postal Drawer "AA"
Millwood, New York,
N.Y., U.S.A. 10546
Telephone: (212) 762-7415

"International Trade Forum"
UNCTAD/GATT
International Trade Centre
Geneva, Switzerland

Canadian Export Association
Suite 250, 99 Bank Street
Ottawa, Ontario K1P 6B9
Telephone: (613) 238-8888
Telex: 0534888

Trade Directories of the World
Croner Publications
211 - 03 Jamaica Avenue
Queens Village, N.Y. 11428

"Canada Commerce"
Department of Industry, Trade & Commerce and Regional Economic Expansion
1st Flr. E., 235 Queen Street,
Ottawa, free.
Telephone: (613) 995-5771

"World Marketing"
Dun & Bradstreet
Box 2007
Jersey City, N.J., U.S.A.
Also comes as a package with Exporters Encyclopedia
Telephone: (201) 567-9050

"Transportation Guide"
Southern Publications
1450 Don Mills Road
Don Mills, Ontario
M3B 2X7
Telephone: (416) 445-6641

American Import & Export Bulletin
P.O. Box 13219
Philadelphia, Penn.
19108 U.S.A.

Kelly's Manufacturers & Merchants Directory
Kelly's Directories Ltd.
Windsor Court
East Grinstead House
West Sussex, RH IT 1X5, U.K.

Predicasts F & S Index, International
Predicasts Inc.,
11001 Cedar Avenue
Cleveland, Ohio, U.S.A.
Telephone: (215) 795-3000

Export market research and government program information is available from:

Alberta International Trade
11th Floor, Sterling Place
9940 - 106 Street
Edmonton, Alberta T5K 2P6
Telephone: 427-4809

Director of Western U.S. Operations
Government of Alberta
703, 510 West 6 St.
Los Angeles, Calif. 90014
Telex: 00674157
Telephone: (213) 624-6371

Director of South Western U.S. Operations
Government of Alberta
Ste. 1425, 5444 Westheimer Rd.
Houston, Texas 77056
Telex: 792139
Telephone: (713) 871-1604

Department of Regional Industrial
Expansion (D.R.I.E.)
#630 Harry Hays Bldg., Stn. "M"
220 - 4th Avenue S.E.
Calgary, Alberta T2P 3C3
Telephone: (403) 231-4575

Department of Regional Industrial
Expansion (D.R.I.E.)
Cornerpoints Building
Ste. 505, 10179 - 105 Street
Edmonton, Alberta T5G 3S3
Telephone: 420-2944

Consul General of the United States
Room 105
615 MacLeod Trail S.E.
Calgary, Alberta T2G 4T8
Telephone: 266-8962

The Government of Canada has regional consulates throughout the U.S. Their trade divisions within these consulates offer market research and related commercial information and advice:

Canadian Embassy
Washington
1746 Massachusetts Ave., N.W.
Washington, D.C. 20036-1985
Cable: CANADIAN WASHINGTON
Phone: (202) 785-1400
Telex: 0089664 (DOMCAN A WSH)

Canadian Consulate General
Boston
500 Boylston Street
Boston, Mass. 02116-3775
Phone: (617) 262-3760
Telex: 94-0625 (DOMAN BSN)

Canadian Consulate General
Chicago
310 South Michigan Avenue,
12th Floor
Chicago, Illinois 60604-4295
Phone: (312) 427-1031
Telex: 00254171 (DOMCAN CGO)

Canadian Consulate General
Dallas
St. Paul Tower, Suite 1700
750 N. St. Paul Street
Dallas, TX 75201-3281
(Registered Mail)
75201-9990 (Business Reply)
Cable: CANADIAN DALLAS
Phone: (214) 922-9806

Canadian Consulate General
Atlanta
400 South Omni International
Phone: (404) 577-6810
Telex: 00542676 (DOMCAN ATL)

Canadian Consulate General
Buffalo
One Marine Midland Center
Suite 3550
Buffalo, New York 14203-2884
Phone: (716) 852-1247
Telex: 0091329 (DOMCAN BUF)

Canadian Consulate General
Cleveland
Illuminating Bldg., Ste. 1008
55 Public Square
Cleveland, Ohio 44113-1983
Phone: (216) 771-0150
Telex: 00985364 (DOMCAN CLV)

Canadian Consulate General
Detroit
1920 First Federal Building
1001 Woodward Avenue
Detroit, Michigan 48226-1966
Cable: CANADIAN DETROIT
Phone: (313) 965-2811
Telex: 23-0175 (DOMCAN DET)

Canadian Government Trade Officer
3935 Westheimer, Ste. 301
Houston, Texas 77027
Phone: (713) 627-7433

Canadian Consulate General
15 South Fifth Street
Minneapolis, Minnesota
55402-1078
Phone: (612) 333-4641
Telex: 00290229 (DOMCAN MPS)

Canadian Consulate General
Philadelphia
3 Parkway, Suite 1620
Philadelphia, Penn. 19102
Cable: CANADIAN PHILADELPHIA
Phone: (215) 561-1750
Telex: 00845266 (DOMCAN PHA)

Canadian Consulate General
Seattle
412 Plaza 600, Sixth & Stewart
Seattle, Washington 98101-1286
Phone: (206) 223-1777
Telex: 032-8762 (DOMCAN SEA)

Canadian Consulate General
Los Angeles
510 West Sixth Street
Los Angeles, California
90014 - 1377
Phone: (213) 627-9511
Telex: 99674119 (DOMCAN LSA)

Canadian Consulate General
New York
1251 Avenue of the Americas
New York City, N.Y. 10020-1175
Cable: CANTRACOM NEW YORK CITY
Phone: (212) 586-2400
Night Line: 586-2407
Telex: 00126242 (DOMCAN NYK)

Canadian Consulate General
San Francisco
One Maritime Plaza
Alcoa Building, Suite 1100
Golden Gateway Center
San Francisco, California
94111-3468
Phone: (415) 918-2670
Telex: 0034321 (DOMCAN SFO)

A full library of Statistics Canada publications are maintained at:

Statistics Canada
215, Hys Centre
11010 - 101 Street
Edmonton, Alberta T5H 4C5
Telephone: (403) 420-3027
Toll free access to Edmonton
office can be reached by
dialing 1-800-222-6400

University of Calgary
2500 University Drive N.W.
Calgary, Alberta T2N 1N4

Edmonton Public Library
7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4

Calgary Public Library
616 Macleod Trail S.E.
Calgary, Alberta T2G 2M2

Alberta Legislature Library
216 Legislature Building
Edmonton, Alberta T5K 2B6

University of Alberta
D.E. Cameron Library
Edmonton, Alberta T6G 2E1

Alberta Bureau of Statistics
7th Floor, Haultain Building
9811 - 109 Street
Edmonton, Alberta T5K 0C8

Contact in Person

Once initial market research has been undertaken from the firm's base in Alberta, personal contact needs to be made in the U.S.

Before travelling to the U.S. companies may seek counsel from Alberta International Trade in Edmonton. The Alberta International Trade Offices in Houston or Los Angeles, or the Canadian Federal Government Consulate General in the region can also provide assistance.

All these offices may be able to obtain some preliminary information on opportunities existing in the region to be visited, and you are advised to write them initially, providing the following brief overview:

— a summary of your past experience in the market territory
— the channel of distribution you wish to pursue
— prices f.o.b. factory but also c.i.f. to an American port of entry in U.S. dollars
— delivery time scheduling from date of receipt of order
— warranty offered
— rate of commission to manufacturer's representative or percentage discount structure for a distributor.

When journeying to the U.S., remember to take such items as:

— passport and birth certificate
— business cards
— letterheads, and other stationery
— samples of the product, if feasible, which can be taken into the U.S. free of customs duties under Carnet
— brochures. pamphlets and photographs of the product
— a pocket dictaphone for making notes
— photocopies of clients' letters which show the addresses and telephone numbers
— audio-visual materials, if possible. to show your product in action
— a pocket calculator, for price quotation purposes
— appropriate clothing (check weather conditions)
— personal effects, medicines
— sufficient money (travellers' cheques in dollars and local currency)
— Canadian driver's licence, if you plan to drive an automobile
— adequate medical coverage

During your stay in the U.S., the following topics can be researched:

— competitors' products, prices, distribution methods, and promotional techniques
— the distribution structure of the target markets (the type of middlemen used and how goods are distributed in cities and towns)
— how the product is used
— who specifically constitutes the target market
— approximate size of target market. You may be able to obtain facts and figures published in the U.S.; check statistical and other sources.

Contact in person offers the best introduction to your firm. Some type of representative or distributor may be appointed later, but large-volume buyers usually want to meet their prospective suppliers personally.

Appointments are often necessary with individual buyers and, as a matter of good form, it is usually advisable to start with the director of purchasing or his equivalent and, through him, meet the proper buyers.

Try to find out about the company you are visiting, before the visit. You will make a favourable impression if you are already aware of some of their needs and requirements.

A complete presentation on the first call is important. This should include literature, specifications, samples if possible, and all the price, delivery and quality control

information a buyer needs to evaluate your capabilities against his current sources. Many buyers keep up-to-date records on their suppliers. A favourable impression is made if a resume including the following can be supplied at the time of making initial personal contact:

— company name, address and telephone number
— name, address and telephone of local representative, if applicable
— date established
— size of plant
— number of employees
— principal products
— location of plant
— description of production facilities equipment
— description of quality-control facilities and procedures
— servicing capabilities and warranty policy
— transportation facilities
— approximate yearly sales volume
— list of representative customers
— financial and credit rating.

Many buying organizations check out new suppliers' facilities personally before placing continuing business. If they do not come as a matter of course, it is a good sales strategy to invite them anyway.

To conclude, exporting to the U.S. requires knowledge of various market factors which are peculiar to the area. Because of the nearness to Canada, it is natural to think that exporting to the U.S.A. is not difficult in terms of the technical requirements.

American buyers tend to view Canadian suppliers in the same light as their own domestic suppliers and hence all aspects of exporting, such as tariff classification of the product, documentation requirements, customs brokerage, application of U.S. laws regulating imports of foods and drugs, consumer product safety, environmental protection, labelling, and so on, are up to the Canadian exporter to look after.

Before signing a contract with a U.S. buyer, you should ensure that all costs relative to importing into the U.S.A. have been taken into your calculations; otherwise, you may find yourself exporting at a loss.

The following office will assist exporters, especially first time exporters to the U.S. with technical as well as market access information:

Alberta International Trade
11th Floor, Sterling Place
9440 - 106 Street
Edmonton, Alberta T5K 2P6
Telephone: 427-4809

U.S. Marketing Division
Department of External Affairs
125 Sussex Drive
Ottawa K1A 0G2
Telephone: (613) 993-7484

or ask for the U.S. Marketing Division's number toll free by calling the Canada Service Bureau (if you are calling on "government business"):

Call 420-2021 if you are phoning from Edmonton
Call 231-4998 if you are phoning from Calgary
Call 1-800-267-8376 if you are phoning from elsewhere in Alberta, e.g. from rural Alberta.

Channels of Distribution

One of the most important elements of exporting to the U.S. is the channel of distribution — should you export on a direct basis or via some form of middleman?

This will depend upon the buying habits of potential customers, the firm's profit potential, the availability of in-house marketing skills, short- and long-term goals, and competitive marketing strategies and tactics.

Inevitably a visit to the target market areas in the U.S. will assist in the decision making, but the options are numerous and varied:

Direct Exporting

— Final Buyer direct from manufacturer. No middlemen. Needs high degree of marketing skills through to end user.
— U.S. Distributor who buys and sells on account. He makes all the marketing decisions.
— U.S. Agent who works generally on a commission.
— U.S. Broker who handles primarily commodities and deals in volume, buying and selling for a fee.
— Licence to Produce in U.S. Exporter may seek royalty for exchanging technology to produce in the U.S.

Indirect Exporting

— Trading House or Export Merchant in Canada. Handles a wide variety of products. Mostly buys and sells on its own account.
— Export Agent/Broker in Canada, who negotiates export sales for a commission.
— U.S. Resident Buyer in Canada, buying for his principal in the U.S.
— Manufacturers in Canada who produce related products.
— Export Consortium in Canada which undertakes large products in the U.S.
— Confirming House in Canada who act on behalf of U.S. buyers: they source and pay for goods bought as well as make arrangements for shipment.

American businessmen rely, to a greater extent than their Canadian counterparts, on the use of commission agents or manufacturers' representatives. The better representatives are highly qualified by education, training and experience. They know their customers and call on them regularly — not only the buyers but also engineering, design and quality-control personnel.

The advantages of this technique include economy, closer (sometimes social) contact with buyers and representation close to the seat of possible problems. The Canadian Consulates General keep ongoing files on most manufacturers' representatives operating in their market territories and can often make suitable suggestions to Canadian firms.

In evaluating middlemen, be sure to check:

— reputation of their business
— financial status
— competitive product lines handled
— location
— warehouse facilities
— size of sales force
— managerial staff
— communication ability

Insist on seeing the middleman's facilities, if visiting the country, and go with him to see a few of his dealers and markets.

Since good middlemen are few, it is important that the exporter thoroughly investigates his prospective agents before making any agreement.

Product or Service

Very often the product or service offered in Canada has to be modified for the U.S. market.

To identify whether or not this is required, the following needs to be researched:

— the way the product or service is going to be used by the ultimate user
— the product exposure to climatic conditions
— If a consumer product, conditions the product is exposed to in stores
— the type of packaging required for customer appeal
— the country's specifications regarding material content, tolerances, grading, professional standards, etc.
— labelling requirements by the government
— if an industrial product, servicing facilities available
— the brand name to be given
— registration of trademark name or industrial design in the U.S.
— style, fashion
— cultural factors affecting looks. colour, brand
— appeal of competitors' products
— preference in size.

Patents, Trademarks and Copyright

General

An information booklet entitled "General Information Concerning Patents" is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20302 at a cost of 75 cents.

Patents

All business with the Patent Office and all letters addressed to the Commissioner of Patents, Washington, DC 20231 should be transacted in writing.

U.S. patent laws make no discrimination with respect to the citizenship of the inventor. However, applications for patent must be made by the inventor who must also sign the papers (with certain exceptions).

Most inventors employ the services of persons known as patent attorneys or patent agents. The Patent Office cannot recommend any particular attorney or agent, but does publish a list of all registered patent attorneys and agents who are willing to accept new clients: the list is arranged by states, cities and foreign countries.

Trademarks

A trademark refers to the name or symbol used in trade to indicate the source or origin of goods. Trademark rights prevent others from using the same name or symbol on identical goods, but do not prevent others from making these goods without the trademark.

The procedure relating to the registration of trademarks and some general information on trademarks is given in a pamphlet called "General Information Concerning Trademarks", which may be obtained from the Patent Office.

Copyright

Copyright protects the writings of an author against copying. Literary, dramatic, musical and artistic works are included within the protection of the copyright law which, in some instances, also confers performing and recording rights. The copyrights refers to the form of expression rather than the subject matter of writing.

NOTE: Copyrights are registered in the Copyright Office of the Library of Congress, and the Patent Office has nothing to do with copyrights. Information concerning copyrights may be obtained from the Register of Copyrights, Library of Congress, Washington, DC 20540.

Packaging and Labelling

General

Packaging has three main purposes:
— to contain the product

— to protect the product
— to sell the product.

In general, consumer products require more elaborate packaging than industrial products. The following factors must be considered:

— The package must accommodate the physical state of the product. Solids, liquids and gases, for example, all require different packaging.
— The package must provide a barrier to harmful micro-organisms, moulds, yeasts, and bacteria.
— The package must withstand the stresses of handling and distribution, such as top loading when stacking.
— The package must communicate quality, utility, uniqueness, etc.
— The package must be visible, create broad identification, and sell. It must appeal to customers when displayed on shelves by virtue of size, colour, design, or style.
— The packaging must allow, if necessary, for preservation and re-use after opening. Instructions must be clear, accurate, and in a language the customer understands.
— Symbols or trademarks must be easily recognizable.
— The package must meet legal requirements. Standards, weights, and volume regulations, statutory declarations, constraints on packaging materials, and trade practices are all important.

The package must convey confidence in the product. In marketing, the package is the product and the product is the package. The development of a new package must be part of the overall marketing plan.

If you are visiting your market, take a sample of your product with you for consultation with potential agents and distributors and for comparison with competitors' products.

Labelling legislation usually requires that the following items must be indicated on labels:

— name and address of the manufacturer or distributor in the importing country
— brand name or trademark
— main purpose for which the product is made
— volume or net weight
— usable period, if relevant
— storage conditions, if necessary
— instructions for use, if needed.

Composition Marking

Any product containing woolen fibre (except carpets, rugs, mats and upholsteries, or articles made more than 20 years before importation) must be clearly marked:

— to identify the manufacturer or the person marketing the product
— with a statement denoting in percentage terms the total fibre content of the product; and
— with the maximum percentage of the total weight of the product of any nonfibrous loading, filling or adulterating matter.

If not suitably marked, an opportunity to mark under U.S. Customs supervision may be granted.

When the fabric contained in any product is imported, it is necessary to state the fabric's country of origin.

Fur products must be marked as to type (particular animal), country of origin and manufacturer's or marketer's name. In addition, where they are used or damaged; bleached, dyed or otherwise artifically coloured, or composed substantially of paws, tails, bellies or waste fur, they must be so marked.

Country of Origin Marking

Generally, all goods imported into the U.S. must be legibly and conspicuously marked in English to identify their country of origin to the ultimate purchaser in the U.S.

The use of stickers or tags is permitted if used in such a manner as to be permanent, unless deliberately removed, until receipt by the ultimate purchaser.

Certain small instruments and utensils must be marked by die-stamping, cast-in-the-

mould lettering, etching, engraving or by means of metal plates securely attached to the articles.

The U.S. Customs Service may exempt certain articles from this marking. In such cases, the container must be suitably marked.

Transportation & Delivery

Exporters, particularly new exporters, will find the services of freight forwarders very helpful.

Some of their services are to:

— arrange with the shipper for packing and marking of goods
— arrange appropriate carriers for transportation of goods
— consolidate shipments from different suppliers, with resultant savings to individual suppliers
— attend to customs clearance
— arrange insurance coverage
— prepare documents
— prepare banking and collection papers
— book freight space
— provide cost breakdown to enable exporters to quote F.A.S., C.&F., or C.I.F. price terms.

Exporters may find it more economical to use a freight forwarder than to do many of the above activities themselves. Usually forwarders charge about 10 per cent of the value of the freight for their services.

A Customs-house Broker works on behalf of importers for clearance of goods through customs. Many are freight forwarders also and have a dual role as specialists in both export and import.

A list of international freight forwarders, air freight specialists, and U.S. customs brokers can be found in McGoldrick's "Canadian Customs and Excise Tariff", obtainable at most major libraries.

Transportation options include:

Trucks:

Trucks offer warehouse-to-warehouse deliveries, including transportation of frozen goods under refrigeration. They compete with railroads and offer rates, including transportation and unloading of goods at the dockside warehouse, without extra charges.

Railroad:

Railroad is used extensively to ship goods to many U.S. destinations. You may find it worthwile to check with pool car companies (see the yellow pages of the telephone directory) for rates on freight that is less than a full car load (LCL). Railways offer lower rates for full car loads (CL rate).

When using railroads, check their schedules for loading in order to avoid possible demurrage due to delays in transit. Also enquire whether they charge for unloading.

Air Freight:

Air freight is being used more and more in the transportation of goods. Different industries and goods have different transportation requirements; the proper mix of air and surface distribution will produce the greatest profit margins for any firm.

Air freight charges are higher than surface or sea transport charges, but shipping by air has many advantages, such as:

— quick delivery
— better, tighter inventory control
— reduction in the cost of expensive regional warehousing
— reduction in interest and inventory taxes
— reduction of packaging costs
— reduction in insurance costs because of reduced exposure to theft and vandalism.

Air freight may be arranged directly with the carrier or through an air freight forwarder who consolidates shipments from several exporters into larger units, which he ships through the airlines.

Containerization is extensively used in air freight and the use of containers has grown dramatically in recent years.

The organization which controls the activities of the international airlines. including freight handling and air freight rates, is the International Air Transport Association, or I.A.T.A.

Although a freight forwarder can help an exporter find the most economical route for transportation of goods, the exporter must determine the type of transport to be used.

The cheapest transportation cost may not reduce an exporter's total distribution costs. The time required for transportation, opportunity cost for additional sales due to slow transport, interest paid on financing inventory, and additional packing and insurance costs incurred in each mode of transport must be considered in the selection of the carrier.

Transportation must be used strategically; do not rely on the advice of freight forwarders alone.

Delivery, of course, must be exactly to customers' specifications, and they are as rigid as any in the world. Many U.S. plants work on inventories as short as one or two days. and they can be shut down by a delay of a few hours.

Failure to adhere to rigid delivery schedules is one of the surest ways of not being asked to quote again.

Pricing

In establishing a price for the product or service to be exported to the U.S., the following steps are suggested:

- establish the base cost of the product
- ascertain the margin to be added to the base cost
- allow for such cost elements as transportation, customs, brokerage fees and advertising
- investigate competitive conditions in the marketplace
- consider a pricing strategy
- use a worksheet to prepare price quotations
- quote in U.S. dollars

Pricing strategies to be considered include:

- allow a lower than desired profit margin initially to break into a market. Then make desired profits later with increased sales.
- where the exporter has an established domestic market, a marginal pricing method may be used to help compete internationally, which means lower net returns yet satisfactory contributions to overhead and profit.
- discounts, rebates and promotional allowance are all tools which may be used to attract buyers.
- the terms of sale can be used strategically; an exporter may offer better credit or more favourable delivery terms than his competitors.
- where an exporter cannot compete on price, the alternative is to stress non-price aspects. These may be brand strategy, an appealing package, a steady source of supply, and quicker deliveries. In the case of industrial products, these may be the services provided with the initial purchase, continuous innovation, and so on.

Quotations should be submitted on a laid-down basis, buyer's warehouse, factory or an American port of entry.

Always quote in U.S. funds unless specifically requested otherwise. The landed price should include transportation charges, U.S. customs duties (if applicable), brokerage fees and insurance.

The quotation should be comparable in format to quotations from U.S. sources. Buyers cannot be expected to understand or be sympathetic with customs duties or other matters peculiar to international transactions. That is solely the responsibility of the Alberta exporter and a "cost" of international business.

Alberta exporters may not be granted the same opportunities for renegotiating initial quotations as they have been accustomed to in Canada. That is because U.S. buyers must often work to tighter purchasing deadlines and target prices. Thus, they may have to accept the first bid as final.

Image

Alberta suppliers can take advantage of the fact that many U.S. firms do not regard Canadian products as "foreign"; and thus buy and invoice Canadian goods through domestic purchasing departments.

Proximity to the market, coupled with personal and corporate connections, can help Albertans compete successfully where transportation costs and delivery times are concerned, and make it possible for them to sell on the same basis as their U.S. rivals.

Alberta competitors must, nonetheless, extend full marketing efforts in order to secure acceptance of their wares on the basis of design and quality.

Before selling in the U.S., Alberta companies should be prepared to:

— pursue business on a continuing basis
— take greater pains to make a favourable first impression than they would in the Canadian context
— quote, deliver and follow up aggressively in order to overcome U.S. competitors.

Promotion

The following promotion methods may be considerd by an exporter to the U.S.

Personal Selling

— selling over long-distance telephone
— personal visits to the market

Sales Promotion

— trade fairs or exhibitions
— trade centre shows
— in-store promotions
— listings in directories, yellow pages of telephone directories
— industrial trade show directory

Advertising

— newspaper
— magazines
— movie theatres
— television
— radio

Public Relations

Both the federal and provincial governments are keen to develop Canada's and Alberta's exports by assisting business in a variety of ways:

Market Development Assistance Program

The Market Development Assistance provides assistance to Alberta businesses by sharing the financial risks of entering new markets for exporting their goods and services.

The program is not meant to support normal export business activity, maintain existing markets, or to obtain new business in a market area where the company is already established.

Financial assistance, for sharing some of the cost of developing export sales, is available to support the following activities:

— market identification trips
— out of province trade fairs and exhibitions
— incoming buyers visits
— outgoing sales trips

Applicants are asked to apply for the government of Canada assistance under the "Program for Export Market Development (P.E.M.D.) for all projects outside of Canada before considering an application to the Trade Development Branch. P.E.M.D. being described below.

Applications should be submitted to the Alberta International Trade 6 weeks before the commencement of the project.

Trade Development Branch staff are available for guidance and assistance in the preparation of applications.

Contact Alberta International Trade (Trade Development Branch), 11th Floor, Sterling Place, 9940 - 106 Street, Edmonton, Alberta T5K 2P6. Phone: 427-4809.

Program for Export Market Development

The federal government's Program for Export Market Development (P.E.M.D.) provides assistance to exporters in a number of ways:

- market identification by sharing costs involved in visiting or expanding markets abroad. It provides grants of up to 50 percent of your costs incurred in breaking into new markets.
- trade fair participation. Their project managers will provide expertise for those desiring to exhibit their products in a fair.
- bringing foreign buyers to Canada to influence them in buying Canadian products and services.
- partial reimbursement of expenses incurred in participating in capital projects.
- export consortium assistance designed to help small firms which cannot pursue export sales alone, but may do so in a consortium with other firms having similar interests.
- for establishing an enterprise or forming a joint-venture project abroad, grants are available for starter and feasibility studies. For feasibility studies, the program pays up to 50 percent of your allowable costs, up to $100,000.

If export sales are achieved as a result of P.E.M.D. assistance, the grant is repayable at the rate of 2 percent of your gross sales for up to three years.

For details, contact the D.R.I.E. Regional Office or 235 Queen Street, Ottawa, Ontario K1A 0H5.

Business Opportunities Servicing System (B.O.S.S.)

B.O.S.S. is a service through which your company's name, address and products sold are listed for circulation in the various Trade Commissioners' offices abroad. Buyers in those countries can thus identify potential suppliers in Canada. Companies listed in B.O.S.S. are automatically included in other D.R.I.E. reference sources and directories. The regional office of D.R.I.E. or the Ottawa office (telephone (613) 992-9128) can provide such details.

The Small Business Secretariat and Federal Business Development Bank

The Small Business Secretariat, Department of Regional Industrial Expansion, 235 Queen Street, Ottawa, Ontario K1A 0H5, and the Federal Business Development Bank offices provide financial assistance, taxation relief, manpower assistance, and consultation services to small business exporters.

Test Marketing

The Upper Midwest and Pacific Northwest — Montana, The Dakotas, Minnesota, Iowa, Nebraska, Washington, Idaho and Oregon — markets present excellent opportunities for a manufacturer or service firm wishing to test-market a new product or service, or for a firm just commencing exporting to the U.S.

These markets are relatively small and manageable in size for a firm with limited production capabilities. Distribution patterns are relatively uncomplicated and efficient.

Bibliography

We gratefully acknowledge the following sources in the compilation of this booklet:

U.S. Marketing Division (UTM)
Department of External Affairs
125 Sussex Drive
Ottawa K1A 0G2
Telephone: (613) 993-7484

"Importing into the United States"
Department of the Treasury,
United States Customs Service,
Washington, DC 20229

Alberta International Centre
The Royal Bank of Canada
Royal Bank Building
335 - 8th Avenue S.W.
P.O. Box 2534
Calgary, Alberta T2P 2N5
Telephone: 26B-5654

Export Development Corporation
Suite 2380
425 - 1st Street S.W.
Calgary, Alberta T2P 3L8
Telephone: 294-0928

"A Manual on Export Marketing", by George T. Jacob, published by the Small Business Secretariat, Department of Regional Industrial Expansion, Ottawa. Minister of Supply & Services Canada 1983.

"Exporting," by J.R. Arnold, published by the Centre for International Business Studies, Dalhousie University, Halifax, Nova Scotia B3H 4H8.

"United States: A Guide for Canadian Exporters" Department of External Affairs, Ottawa.

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Alberta Economic Development Guarantee Proqram

Program Objective

The purpose of this program is to provide support to Alberta based businesses, by means of Government guarantees of loans made by financial institutions. It will also enable companies to be more competitive in obtaining sales internationally, interprovincially, or within the Province when competing with bidders outside the Province.

The program is designed so as to minimize Government involvement in the decision making and administration of such loans. The lenders will undertake the normal credit assessment and make all decisions on whether a loan will be made and, if so, set the terms and conditions.

Eligible borrowers

Any business operating in Alberta for profit which manufactures or processes products which will be shipped to purchasers outside Alberta or which replace products being imported into the Province. The business must have a specific order or contract to supply a product or be submitting a bid for a specific order or contract.

Loan Purposes

Loans which would be used for working capital requirements for:

— raw materials
— labor
— work in progress
— finished goods inventories
— shipping
— carrying receivables
— letters of credit in support of Bid Bonds and Performance Guarantees
— overhead costs which can be directly related to the project.

For further information contact:

Alberta Economic Development
Special Projects
12th Floor, Sterling Place
9940 - 106 Street
Edmonton, Alberta
T5K 2P6
Telephone: 427-3300

Alberta Export Services Support Program

Program Purposes

The Export Services Support Program is designed to encourage Alberta businesses to seek out export opportunities by means of feasibility studies which may eventually lead to contracts for Alberta goods, services, and technical expertise. The program is administered through the Department of Economic Development.

The Export Services Support Program funds 50 percent of approved front-end or pre-contract costs, to a maximum of $350,000 per agreement for qualifying applicants. Examples of such costs can include legal, travel, bid preparation costs, and professional fees. When a feasibility study results in a contract to undertake a project, the advanced funds are repayable to the government.

Eligible Borrowers

The program is available to established Alberta businesses pursuing projects outside the province which can demonstrate that relative to pre-contract cost, there is reasonable potential for downstream procurement from Alberta.

For further information contact:

Alberta Economic Development
Special Projects
12th Floor, Sterling Place
9940 - 106 Street
Edmonton, Alberta
T5K 2P6
Telephone: 427-3300

Export Development Corporation

The Export Development Corporation (EDC) is a Crown corporation that provides financial services to Canadian exporters and foreign buyers to facilitate and develop export trade. It does this through a wide range of insurance, guarantee, and other services not normally provided by the private sector.

EDC's Services are provided to assist Canadian exporters, who are offering competitive products in terms of price, quality, delivery, and service, to compete internationally. Exporters in other countries have access to similar support facilities from their governments.

EDC is sensitive to the needs of the smaller exporter. There is no minimum value of export business required to qualify for support. The corporation continually reviews its programs and is prepared to consider tailoring its facilities — within its legislative limits — to meet the specific needs of exporters with high potential for growth and competitiveness.

Insurance

Alberta firms of any size can insure their export sales against non-payment by foreign buyers. EDC normally assumes 90 percent of the commercial and political risks involving insolvency, default, or repudiation by the buyer, as well as blockage of funds, cancellation of import licences and the like in a foreign country, and cancellation of export permits in Canada.

Almost any kind of transaction involving the export of goods, services, or technology may be insured. Insurance is available to cover sales of general commodities and services normally made on short credit terms of up to 180 days, and capital goods and services made on medium term credit of up to five years.

Credits insurance services that are available include:

— Global Comprehensive Insurance provides cover against commercial (and political) risks inherent in an export transaction offering short-term credit.

— Specific Transaction Insurance provides cover for individual transactions involving capital goods and services, either from the effective date of contract or the shipment of goods until payment is received.

— Performance Security Insurance provides cover for the exporter against a wrongful call by a foreign buyer of a Irrevocable Letter of Credit (ICL) provided by the exporter's bank on behalf of the exporter.

— Surety Bond Insurance insures a domestic surety company that provides a performance bond to a foreign buyer.

Export Loans

EDC provides export financing for up to 85 percent of the contract value, at both fixed and floating rates of interest, to foreign buyers of Canadian capital goods, equipment, and services. Funds are disbursed directly by EDC to Canadian exporters on behalf of the borrower, in effect providing the exporter with a cash sale.

For further information about the services provided to exporters by the Export Development Corporation, contact:

Export Development Corporation
Suite 2380
425 - 1st Street S.W.
Calgary, Alberta T2P 3L8
Phone: 294-0928

Commercial Bank

U.S. Export trade is of vital importance to the Canadian economy, so too, is the Canadian's exporter's dependence on their banker to provide support and assistance in all aspects of their exporting endeavours.

Most first-line banks have international trade offices and branches in the U.S., and Canadian exporters are advised to liaise with their local branches accordingly for further information.

Below we highlight some of the various methods of selling and financing U.S. export sales on both a recourse and non-recourse basis.

First, it should be stressed that in every export transaction the elements of credit and finance are inextricably interwoven, and success in the export field requires that exporters have an understanding of these factors of their interdependence and of how they may be assessed and related to a particular situation.

Credit is inherent to some extent in every export sale, unless the seller is in the fortunate but unlikely position of having received payment in advance of shipment.

The first questions, therefore, that will invariably occur to an exporter before he signs an agreement with the U.S. buyer will be about credit.

— How much?
— For how long, and how do I protect myself?
— How do I get paid?
— When do I get paid?

Before these questions are answered with any degree of assurance, it is essential that the exporter is aware of the various methods of trade financing and understands the basic mechanics, protective features and attendent risks of each.

The following is a synopsis of some of the methods of financing U.S. export sales:

Cash payments

A cash payment, in advance of shipment, requires little consideration because there are few such settlements nowadays. An exporter would be very fortunate if he could demand and receive payment on this basis in the "buyer's market" prevailing today.

Financing under this method is provided by the buyer or by an outside source on the buyer's account.

Closely relating to cash payments is telegraphic transfer of payment, typically used for larger accounts at the time the shipment is ready or received by the buyer.

Open account

Sales under this method are documented by commercial invoices and it is the most prevalent method used in Canada.

It is estimated that 80 percent to 90 percent of trade between Canada and the U.S. is based on open account.

Shipment on consignment

The third method, shipment on consignment, has much in common with open account shipment. The basis of consignment is that the exporter retains title to the goods, but agrees that payment will not be required until the goods have been sold in the U.S , within a specified time frame (e.g. 1 month, 3 months or 6 months).

This method has an advantage in that the exporter's product is actually placed in the foreign market without loss of title.

However, it also involves considerable risk. Until the goods are sold, the consignee may return them at any time, without any liability and at the seller's expense.

Furthermore, there may be difficulty in ensuring that the consignee complies with the terms of the consignment agreement, and follow up audits may even be needed to verify whether sales have not actually taken place.

Also, in this method there is no bill of exchange involved to the detriment of the seller's position in the event of default.

Documentary Commercial Letters of Credit/Standby Letters of Credit

A Documentary Commercial Letter of Credit is normally issued by a bank for account of a buyer in favour of the seller, undertaking in writing, to provide payment of funds on presentation of certain documentation. Provided the terms/conditions of the Letter of Credit are met fully, the seller is assured of payment by the opening bank.

During the last few years, some Canadian and Alberta firms have tightened their U.S. export open account payment terms to include a Standby Letter of Credit, perhaps for the first year of undertaking business with a new customer in the U.S.

The Standby Letter of Credit enables the exporter to be ultimately guaranteed (by the bank issuing it) that he or she will be paid a certain amount in the event the buyer defaults on normal payment arrangements by simply drawing on the Standby Letter of Credit, making a declaration that the buyer is, in fact, in default of payment.

A Forfait Financing

A Forfait Financing was introduced to the Canadian marketplace by The Royal Bank in 1981. Forfaiting is a form of fixed rate trade financing in Dollars, Deutschemarks, Swiss Francs or other currencies subject to availability of satisfactory funding.

Under the forfait financing, if you are an exporter, the bank buys your foreign customers' payment obligations over periods of up to five years. Such payment obligations are normally evidenced by a series of promissory notes with semi-annual maturities, the first one falling due six months and the last one falling due five years after delivery of the goods, and usually bearing the Guarantee (Aval) of the importer's bank.

In a typical transaction, the total amount of receivables usually ranges between one half million to ten million dollars.

This type of transaction is relatively easy, involving a minimum of paperwork, a quick response turnaround time, and a transfer by the exporter to the bank of all the risk as well as the administration and collection concerns.

Performance Guarantees

Often these are called for covering the duration of a contract and are utilized to provide compensation to the buyer in the event that the exporter for any reason fails to perform under the terms and conditions of the contract.

They may be reduced pro rata with the value of the work completed under the contract.

It is not uncommon for a performance guarantee to be issued in excess of the required figure to include a warranty.

Warranty Bonds/Guarantees

These are issued to provide compensation to a buyer in the event that the product is faulty or does not work. It may be used for up to 10 percent of the contract amount and essentially replaces the hold back.

These are commonly used in the U.S. as well as middle eastern and far eastern countries.

Commercial Credit Corporation

Commercial Credit Corporation (CCC) is a crown corporation wholly owned by the Government of Canada, Canadian Commercial Corporation. It was established in 1946 by Act of the Canadian Parliament to assist in the development of trade between Canada and other nations.

CCC acts as the prime contractor for the sale of Canadian goods and services to foreign governments and international agencies. It also acts as the prime contractor for bid solicitations and contracting in Canada by agencies of the U.S. Department of Defense, the National Aeronautics and Space

Administration (NASA), and, on request, other U.S. government departments and agencies.

CCC assists agencies of the U.S. Department of Defense with contracts placed directly with Canadian firms. and sub-contracts placed with Canadian firms by U.S. Department of Defense prime contractors. CCC reports to the Parliament of Canada through the Secretary of State for External Affairs and the Minister for International Trade.

Enquiries may be directed to:

Canadian Commercial Corporation
Export Supply Directorate
OTTAWA, Ontario, K1A 0S6
Telex: 053-3703
Autovon: 627-8011 EXT-4-0248

Canadian Commercial Corporation
2450 Massachusetts Avenue N.W.
Washington, D.C. 20008
Telephone: (202) 483-5505
Telex: DSS Washington 008-9532
Autovon: 851-1840

Alberta International Trade
U.S.A. Sector
11th Floor, Sterling Place
9940 - 106 Street
EDMONTON, Alberta, T5K 2P6
Telephone: (403) 427-4809
Telex: 037-2197

Summary

In summary, exporters should liaise with the Export Development Corporation and with their own commercial banks for counsel on all aspects of trade related services that they are able to provide, i.e.:

— Insurance
— Guarantees
— Trade Financing
— Letters of Credit
— Foreign Currency Services
— Payments and Collections
— Trade Services
— Project Financing
— International Cash Management
— Leasing.

Export Administration

Introduction

Export administration is a complex business and your notice is drawn to the following:

"Importing to the United States"

This is an essential reference document and available free of charge from the Department of the Treasury, United States Custom Service, Washington, DC 20229.

Canadian Federal Government Advice contact:

United States Marketing Division (UTM)
Department of External Affairs
125 Sussex Drive
Ottawa K1A 0G2
Telephone: (613) 993-7484

or try asking for this number toll free by calling the Canadian Service Bureau (if you are calling on "government business"):

Call 420-2021 if you are phoning from Edmonton
Call 231-4998 if you are phoning from Calgary
Call 1-800-232-9481 if you are phoning from elsewhere in Alberta (e.g. from rural Alberta).

This office has extensive knowledge regarding U.S. import regulations, tariffs and other related information.

The Division can also obtain a binding tariff classification ruling from the U.S. Customs Service, on a Canadian exporter's behalf regarding a potential new export. This ruling will be honoured at any U.S. port of entry.

Licensed United States customhouse brokers

These brokers prepare and file the necessary customs entries, arrange for payments of duties and release of goods, and otherwise represent their principals in customs matters.

Many have offices in major Canadian cities, and others are located at border points with toll-free telephone numbers. The Yellow Pages of the telephone directory is a useful source of names and addresses.

The following is a brief synoposis of some of the main topics to be considered in export administration, but please note that it is by no means exhaustive.

Canadian Documentation for Export

Form B-13 should accompany Canadian exports to the U.S., and this includes American merchandise returned to the U.S.

This is a Canada Customs form, and three copies are required at the time the export is made, one of which is returned to the exporter.

For large volume exporters, Canada customs have a monthly summary reporting system. and for details about this and Form B-13, contact Canada Customs.

Customs Organization

The customs territory of the U.S. consists of the 50 states, the District of Columbia, and Puerto Rico. The Customs Service, an agency under the Department of the Treasury, has its headquarters in Washington, DC, and is headed by a Commissioner of Customs.

The field organization consists of seven geographical regions further divided into districts with ports of entry within each district. These organizational elements are headed respectively by regional commissioners, district directors (or area directors in the case of the New York region), and port directors.

For further information contact the U.S. Customs Directors at the Calgary and Edmonton International Airports, or at Coutts, Alberta.

Alternatively, contact:

Customs Attache
American Embassy
100 Wellington St.
Ottawa, Ontario K1P 5T1
Telephone: (613) 230-2120

Entry of Goods

Entry process

When a shipment reaches the U.S.. the consignee will file entry documents for the goods with the district or port director at the port of entry. Imported goods are not legally entered until after the shipment has arrived within the port of entry, estimated duties have been paid, and delivery of the merchandise has been authorized by Customs. It is the responsibility of the importer to arrange for examination and release of the goods.

Goods may be entered for consumption. entered for warehouse at the port of arrival, or they may be transported in-bond to another port of entry and entered there under the same conditions as at the port of arrival. Arrangements for transporting the merchandise to an interior post in-bond may be made by the consignee, by a customhouse broker, or by any other person having a sufficient interest in the goods, for that purpose.

The exporter to the U.S. has to take into consideration such factors as:

— Evidence of Right to Make Entry: goods may be entered only by the owner, purchaser, or a licensed customhouse broker.

— Entry for Consumption: the entry of merchandise is a two part process consisting of (1) filing the documents necessary to determine whether merchandise may be released from Customs custody and (2) filing the documents which contain information for duty assessment and statistical purposes.

— Entry Documents: within 5 working days of the date of arrival of a shipment at a U.S. port of entry, entry documents must be filed at a location specified by the district/area director, unless an extension is granted.

— Surety: the entry must be accompanied by evidence that surety has been obtained to cover any potential duties, taxes, and penalities which may accrue. Surety usually takes the form of a bond secured by a resident U.S. surety company but may be posted in the form of cash.

— Entry Summary Documentation: following acceptance of the entry, the shipment is examined and released, provided no legal nor regulatory violations have occurred.

— Immediate Delivery: an alternate procedure, which provides for immediate release of a shipment, may be used in some cases by making application for a Special Permit for Immediate Delivery on Customs Form 3461 prior to arrival of the merchandise.

— Entry for Warehouse: if it is desired to postpone the release of the goods, they may be placed in a customs bonded warehouse under a warehouse entry.

— Unentered Goods: if there is a failure to file an entry for the goods at the port of entry or port of destination for in-bond shipments within 5 working days after arrival, the district or port director may place them in a general-order warehouse at the risk and expense of the importer.

— Mail Entries: importers have found that in some cases, specifically with shipments of less than $250 value, it is to their advantage to use the mail to import merchandise into the U.S. Some benefits to be gained are:

- ease in clearing shipments through customs
- savings on shipment charges
- no entry required to duty-free merchandise
- no need to clear shipments personally.

Right to make entry

Merchandise arriving in the U.S. by commercial carrier must be entered by the owner, purchaser, his authorized regular employees, or by the owner's licensed customhouse broker.

Customhouse brokers will prepare and file the necessary customs entries, arrange for the payment of the duties found due, take steps to effect the release of the goods in Customs custody, and otherwise represent their principals in customs matters. The fees charged for these services may vary according to the customhouse broker and the extent of services performed.

Every entry must be supported by some form of evidence of the right to make entry as outlined in this section. When entry is made by a customhouse broker, a customs power of attorney given by the person or firm for whom the customhouse broker is acting as agent is made in the name of the customhouse broker as consignee. Ordinarily, the authority of an employee to make entry for his employer is most satisfactorily established by a Customs power of attorney.

Entry of goods may be made by a nonresident individual or partnership, or a foreign corporation through an agent or representative of the exporter in the U.S., a member of the partnership, or an officer of the corporation.

A nonresident individual, partnership, or foreign corporation may issue a power of attorney to a regular employee, customhouse broker, partner, or corporation officer to transact customs business in the U.S. Any person named in a power of attorney must be a resident of the U.S. who has been authorized to accept service of process on behalf of the person or organizaton issuing the power of attorney.

Examination of goods

Prior to release of the goods, the district or port director will designate representative quantities for examination by Customs officers under conditions properly safeguarding the goods. Examination is necessary to determine:

— the value of the goods for customs purposes and their dutiable status
— whether the goods must be marked with the country of their origin or require special marking or labeling. If so, whether they are marked in the manner required
— whether the shipment contains prohibited articles
— whether the goods are correctly invoiced
— whether the goods are in excess of the invoiced quantities or a shortage exists.

Some kinds of goods must be examined to determine whether they meet special requirements of the law. For example, food and beverages unfit for human consumption would not meet the requirements of the Food and Drug Administration.

Important topics relating to examination of goods include:

— the treatment of excess goods and shortages
— damage or deterioration
— deductions from gross weight for just and reasonable tare.

Packing of goods

Orderly packing and proper invoicing go hand in hand.

If you invoice your goods in a systematic manner and show the exact quantity of each item of goods in each box, bale, case, or other package, and if you are sure to put marks and numbers on each package and show those marks and numbers on your invoice opposite the itemization of the goods contained in the package which bears those marks and numbers, you will speed up the clearance of your goods through customs.

When the packages contain goods of one kind only, or when the goods are imported in packages the contents and values of which are uniform, the designation of packages for

examination and the examination for customs purposes is greatly facilitated.

If the contents and values differ from package to package, the possibility of delay and confusion is increased. Sometimes because of the kinds of goods or because of the unsystematic manner in which they are packed, the entire shipment must be examined.

Pack and invoice your goods in a manner which makes a speedy examination possible. Always bear in mind that it may not be possible to ascertain the contents of your packages without full examination unless your invoice clearly shows the marks and numbers on each package (whether box, case, or bale) and specifies the exact quantity of each item of adequately described goods in each marked and numbered package.

Except in specified circumstances, whenever articles subject to different rates of duty are so packed together or "mingled" that the quantity or value of each class of articles cannot be readily ascertained by Customs officers (without physical segregation of the shipment or the contents of packages), the "commingled" articles shall be subject to the highest rate of duty applicable to any part of the commingled lot, unless the consignee or his agent segregates under Customs supervision.

For faster Customs clearance:

- include all information required on your customs invoices
- prepare your invoices carefully. Type them clearly. Allow sufficient space between lines. Keep the data within each column
- make sure that your invoices contain the information that would be shown on a well-prepared packing list
- mark and number each package so that it can be identified with the corresponding marks and numbers appearing on your invoice
- show on your invoice a detailed description of each item of goods contained in each individual package
- mark your goods legibly and conspicuously with the name of the country of origin, unless they are specifically exempted from the country of origin marking requirements, and with such other marking as required by the marking laws of the U.S.
- Comply with the provisions of any special laws of the U.S. which may apply to your goods, such as the laws relating to foods, drugs, cosmetics, alcoholic beverages, and radioactive materials
- Observe closely the instructions with respect to invoicing, packaging, marking, labeling, etc., sent to you by your customer in the U.S. He has probably made a careful check of the requirements which will have to be met when your goods arrive.

Invoices

Commercial invoices

A commercial invoice, signed by the seller or shipper or his agent, is acceptable for customs purposes if it is prepared in accordance with Section 141.86, Customs Regulations, and in the manner customary for a commercial transaction involving goods of the kind covered by the invoice.

The invoice must provide the following information, as required by the Tariff Act:

- the port of entry to which the merchandise is destined
- if merchandise is sold or agreed to be sold, the time, place, and names of buyer and seller; if consigned, the time and origin of shipment, and names of shipper and receiver
- a detailed description of the merchandise
- the quantities in U.S. weights and measures
- if sold or agreed to be sold, the purchase price of each item in the currency of the sale
- if the merchandise is shipped for consigment, the value of each item

— the kind of currency
— all charges upon the merchandise, itemized by name and amount including freight, insurance, commission, cases, containers, coverings, and cost of packing
— all rebates, drawbacks, and bounties. separately itemized, allowed upon the exportation of merchandise.

Specific requirements also relate to:

— separate invoices for each shipment
— assembled shipments
— installment shipments
— production "assists" (tooling, engineering, design, etc.)
— additional information requirements
— rates of exchange

Special Customs invoice

Importers bringing commercial shipments with a transaction value of $500 or more into the U.S. need not furnish the special customs invoice, Customs Form 5515, if they provide a commercial invoice. The commercial invoice must be signed by the seller or shipper, or their agent, and must contain data required by Section 141.86, Customs Regulations. The special customs invoice is permissible, however, and may be used until abolished.

Textile visas and exempt certifications are still required and must be furnished with entry documentation.

Pro forma invoice

If the required special customs or commercial invoice is not filed at the time the merchandise is entered, a statement in the form of an invoice (a pro forma invoice) must be filed by the importer at the time of entry. A bond is given for production of the required invoice not later than 6 months from the date of entry. If the invoice is needed for statistical purposes, it must generally be produced within 50 days from the date the entry summary is required to be filed.

The exporter should bear in mind that unless he forwards the required invoice in time, the American importer will incur a liability under his bond for failure to file the invoice with the district or port director of Customs before the expiration of the 6-month period.

Special summary steel invoice

A special summary steel invoice. Customs Form 5520, is required when merchandise contains specified articles of steel if the shipment has an aggregate purchase price of $5,000 or more.

Frequent errors in invoicing

The fundamental rule to be borne in mind is that the shipper and importer must furnish the Custom officers with all pertinent information with respect to each import transaction to assist the Custom officers in determining the tariff status of the goods. Examples of omissions and inaccuracies to be avoided are:

— the shipper assumes that a commission, royality, or other charge against the goods is a so-called "nondutiable" item and omits it from the invoice
— a Canadian shipper who purchases goods and sells them to a U.S. importer at a delivered price shows on the invoice the cost of the goods to him instead of the delivered price
— a Canadian shipper manufactures goods partly with the use of materials supplied by the U.S. importer, but invoices the goods at the actual cost to the manufacturer without including the value of the materials supplied by the importer
— the Canadian manufacturer ships replacement goods to his customer in the U.S. and invoices the goods at the net price without showing the full price less the allowance for defective goods previously shipped and returned
— a Canadian shipper who sells goods at list price, less a discount, invoices them at the net price, and fails to show the discount
— a Canadian shipper sells goods at a delivered price but invoices them at a price "free on board" f.o.b. the place of

shipment, and omits the subsequent charges

— a Canadian shipper indicates in the invoice that the importer is the purchaser, whereas he is in fact either an agent who is receiving a commission for selling the goods or a party who will receive part of the proceeds of the sale of the goods sold for the joint account of the shipper and consignee.

Assessment of Duty

Rates of duty

All goods imported into the U.S. are subject to duty or duty-free entry in accordance with their classification under the applicable items in the Tariff Schedules of the U.S. An annotated, looseleaf edition of the tariff schedules may be purchased from the U.S. Government Printing Office, Washington, DC 20402. The tariff schedules may also be found in 19 U.S.C.A. sec. 1202.

When goods are dutiable, ad valorem, specific, or compound rates may be assessed.

An ad valorem rate, which is the type of rate most often applied, is a percentage of the appraised value of the merchandise, such as 5 percent ad valorem.

A specific rate is a specified amount per unit of weight or other quantity. such as 5.9 cents per dozen.

A compound rate is a combination of both an ad valorem rate and a specific rate, such as 7 cents per pound plus 10 percent ad valorem.

Rulings on imports

The Customs Service makes its decision as to the dutiable status of merchandise when the entry is liquidated after the entry documents have been filed.

When advance information is needed, do not depend on a small "trial" or "test" shipment since there is no guarantee that the next shipment will receive the same tariff treatment. Small importations may slip by, particularly if they are processed under informal procedures which apply to small shipments or in circumstances warranting application of a flat rate.

An exporter, importer, or other interested party may get advance information on any matter affecting the dutiable status of merchandise by contacting the director of the port or district where the merchandise will be entered or by writing the Regional Commissioner of Customs, Region 11, New York, N.Y. 10048 or to the Commissioner of Customs, Attention: Office of Regulations and Rulings, Washington, DC 20229.

A request for a tariff classification decision should include the following information:

— a complete description of the goods, including samples

— cost breakdowns of component materials and their respective quantities shown in percentages, if possible

— a description of the chief use of the goods, as a class or kind of merchandise, in the U.S.

— information as to commercial, scientific or common designations as may be applicable

— any other information that may be pertinent or required for the purpose of tariff classification.

Liability for duties

There is no provision under which U.S. duties or taxes may be prepaid in Canada before exportation to the U.S. This is true even in the case of gifts sent through the mail.

In the usual case, liability for the payment of duty becomes fixed at the time an entry for consumption or for warehouse is filed with Customs. The obligation for payment is upon the person or firm in whose name the entry is filed. when goods have been entered for warehouse, the liability for the payment of duties may be transferred to any person who purchases the goods and desires to withdraw them in their own name.

Containers or holders

Lift vans, cargo vans, shipping tanks, pallets and certain smaller articles used in the shipment of goods in international traffic are designed as "instruments of international traffic" by the Customs Service. So long as this designation applies, they are not subject to entry or duty when they arrive, whether they are loaded or empty.

Temporary free importations

Goods of the types summarized below when not imported for sale or for sale on approval may be admitted into the U.S. without the payment of duty, under bond, for their exportation within 1 year from the date of importation. Generally, the amount of the bond is double the estimated duties.

The 1-year period for exportation may, upon application to the district or port director, be extended for one or more further periods which, when added to the initial 1 year, shall not usually exceed a total of 3 years.

— certain merchandise to be repaired, altered, or processed

— models of women's wearing apparel imported by manufacturers for specified uses

— articles imported by illustrators and photographers for use solely as models in their own establishments for advertising purposes

— samples solely for use in taking orders for merchandise

— certain articles solely for examination with a view to reproduction

— articles intended solely for testing, experimental, or review purposes

— automobiles, motorcycles, bicycles, airplanes, airships, balloons, boats, racing shells, and similar vehicles and craft. and parts, if brought temporarily into the U.S. by nonresidents for the purposes of taking part in races or contests

— locomotives and other railroad equipment brought temporarily into the U.S. for specified uses

— containers for compressed gases, filled or empty, and containers or other articles in use for covering or holding merchandise during transportation and suitable for reuse for that purpose

— professional equipment, tools of trade, repair components for equipment or tools admitted under this item, and camping equipment imported by or for nonresidents sojourning temporarily in the U.S. for the nonresident's use

— articles of special design for temporary use exclusively in connection with the manufacture or production of articles for export

— animals, poultry and related equipment brought into the U.S. for the purpose of breeding, exhibition, or competition for prizes

— theatrical scenery, properties, and apparel brought into the U.S. by proprietors or managers of theatrical exhibitions arriving from Canada, for temporary use by them in such exhibitions

— works of free fine arts, drawings, engravings, photographic pictures and philosophical and scientific apparatus brought into the U.S. by professional artists, lecturers, or scientists arriving from Canada for use by them for exhibition and related uses

— automobiles and parts, when intended solely for show purposes.

Temporary Admission Carnet

A carnet is an international customs document which may be used for the temporary duty-free importation of certain goods into a country in lieu of the usual customs documents required. The carnet serves as a guarantee against the payment of customs duties which may become due on goods temporarily imported and not re-exported.

A carnet is valid for a period of one year. The traveler or business person, however, can make as many trips as desired during the period the carnet is valid.

The U.S. currently allows A.T.A. carnets to be used for the temporary admission of professional equipment, commercial samples, and advertising material. A.T.A. carnets can also be used for transit (in-bond movement of goods) in the U.S. under the applicable regulations.

Antidumping duty

The Tariff Act of 1930, as amended by the Trade Agreements Act of 1979, provides that when the Secretary of Commerce determines that a class or kind of foreign merchandise is being, or is likely to be sold to purchasers in the U.S. at less than its fair value, he will advise the International Trade Commission (I.T.C.). The I.T.C. will then determine whether:

— an industry in the U.S. is materially injured or is threatened with material injury, or
— the establishment of an industry in the U.S. is materially retarded, by reason of the importation of that merchandise.

If the I.T.C. determination is in the affirmative, the Secretary of Commerce makes public an antidumping duty order, and importations of the merchandise become subject to the assessment of special dumping duties. These duties are equal to the amount by which the foreign market value or constructed value exceeds the purchase price or exporter's sale price, as applicable.

Countervailing duty.

The law relating to countervailing duties is concerned with payments or bestowals of bounties or grants on any articles or merchandise exported to the U.S. from Canada. The law applies whether the payment or bestowal is made by Canada or by any political subdivision thereof, or by any group, legal entity, or individual. The law applies whether the payment or bestowal is made upon the manufacture or production of the merchandise, or upon the exportation of the merchandise, and whether the payment or bestowal is made directly or indirectly.

The law applies to both dutiable and duty-free merchandise.

Drawback — refunds of duties

The term "duties" includes any internal revenue taxes that accrue upon importation to the U.S. Generally, the exportation of imported duty paid goods after release from Customs custody does not result in a refund of duties.

However, there are exceptions, the most common being a refund of 99 percent of duties (and taxes) paid on merchandise that is imported, subjected to manufacture or production, and then exported or destroyed in the same condition as imported. This refund is known as "drawback."

For further details, contact the nearest regional United States Customs Office.

Classification and Value

Classification

Classification and appraisement (the latter applying when ad valorem of duty are applicable) are the two most important factors affecting dutiable status. Classification and valuation, whether or not they are pertinent because an ad valorem rate of duty applies, must be provided by commercial importers when an entry is filed.

In addition, classification under the statistical suffixes of the tariff schedules also must be furnished even though this information is not pertinent to dutiable status. Accordingly, classification is initially the responsibility of an importer, customhouse broker or other person preparing the entry papers.

Familiarity with the organization of the Tariff Schedules of the U.S. facilitates the classification process. The tariff schedules are divided into various sub-schedules separately dealing with merchandise in broad product categories.

These categories, for example, separately cover animal and vegetable products, products of various basic materials such as

wood, textiles, ceramics and glass, as well as steel and other metal products in various stages of manufacture. Other schedules encompass chemicals, machinery, electrical equipment, and other specified or non-enumerated products. The last schedules, 8 and 9. cover certain exemptions from duty and special statutory provisions.

Liquidation

Customs officers at the port of entry or other officials acting on behalf of the district director review the classifications and valuations, as well as other required import information, for correctness or as a proper basis for appraisement, as well as for reconciliation of the submitted documentation with the merchandise actually imported. The entry summary and documentation may be accepted as submitted without any changes. In this situation, the entry is liquidated as entered.

Liquidation is the point at which the Customs Service's ascertainment of the rate of duty and amount of duty becomes final for most purposes. Liquidation is accomplished by posting a notice on a public bulletin board at the customhouse.

Protests

After liquidation an importer may pursue any claims for an adjustment or refund by filing a protest within 90 days after liquidation on Customs Form 19. In order to apply for a headquarters ruling, a request for further review must be filed with the protest. The same Form 19 can be used for this purpose. If filed separately, application for further review must still be filed within 90 days of liquidation.

If a protest is denied, an importer has the right to litigate the matter by filing a summons with the U.S. Court of International Trade within 180 days after denial of the protest. The rules of the court and other applicable statutes and precedents determine the course of customs litigation.

Conversion of currency

The conversion of foreign currency for customs purposes must be made in accordance with the provisions of section 552, Tariff Act of 1930, as amended.

This section states that the Customs is to use rates of exchange determined and certified by the Federal Reserve Bank of New York. These certified rates are based on the New York market buying rates for the foreign currencies involved.

Transaction value

U.S. Customs officers are required by law to determine the value for imported merchandise. The valuation provisions of the Tariff Act of 1930 are found in section 402, as amended by the Trade Agreements Act of 1979.

Generally, the customs value of all merchandise exported to the U.S., will be the transaction value for the goods. If the transaction value cannot be used, then certain secondary bases are considered. The secondary basis of value, listed in order of precedence for use are:

— transaction value of identical merchandise
— transaction value of similar merchandise
— deductive value, and
— computed value

Note that exclusions and limitations apply under specified circumstances.

Transaction value — similar or identical merchandise

When the transaction value cannot be determined, then the customs value of the imported goods being appraised is the transaction value of identical merchandise.

If merchandise identical to the imported goods cannot be found or an acceptable transaction value for such merchandise does not exist, then the customs value is the transaction value of similar merchandise.

Deductive value

If the transaction value of imported merchandise, of identical merchandise, or of similar merchandise cannot be determined, then deductive value is calculated for the merchandise being appraised.

Basically, deductive value is the resale price in the U.S. after importation of the goods, with deductions for certain items. In discussing deductive value, the term "merchandise concerned" is used. The term means the merchandise being appraised, identical merchandise, or similar merchandise. Generally, the deductive value is calculated by starting with a unit price and making certain additions to and deductions from that price.

Computed value

The last basis of appraisement is computed value. If customs valuation cannot be based on any of the values previously discussed, then computed value is considered. This value is also the one the importer can select to precede deductive value as a basis of appraisement.

Computed value consists of the sum of the following items:

— materials, fabrication, and other processing used in producing the imported merchandise
— profit and general expenses
— any assist, if not included in the above
— packing costs.

Value if other values cannot be determined

If none of the previous five values can be used to appraise the imported merchandise, then the customs value must be based on a value derived from one of the five previous methods, reasonably adjusted as necessary.

The value so determined should be based, to the greatest extent possible, on previously determined values. Only data available in the U.S. will be used.

Marking

Country of origin

It is the general rule of the U.S. customs laws that each imported article produced abroad must be legibly marked in a conspicuous place with the name of the country of origin in English in order to show the ultimate purchaser in the U.S. the name of the country in which the article was manufactured or produced.

There are certain exceptions to this rule:

— articles which are merely in transit through the U.S.
— articles which are under a bond to insure their exportation
— articles which are otherwise specifically exempted from marking requirements. Certain articles may require special marking.

If the article (or its container and not the article must be marked) is not properly marked at the time of importation, a marking duty equal to 10 percent of the customs value of the article will be assessed unless the article is exported, destroyed, or properly marked under Customs supervision before the liquidation of the entry concerned.

Note that marking is not required with certain categories of merchandise, and that other exemptions also apply.

Special marking requirements

Special marking or labeling requirements for wood, textile, and fur products are required.

Certain articles, grouped as they appear in the Tariff Schedules of the U.S. Annotated, shall be marked legibly and conspicuously to indicate their origin by die-stamping, cast in-the-mould lettering, etching, engraving, or by means of metal plates which bear the prescribed marking and which are securely attached to the article in a conspicuous place by welding, screws, or rivets.

False Marking

Section 42 of the Trade-Mark Act of 1946 provides, among other things. that no imported article of Canadian origin which bears a name or mark calculated to induce the public to believe that it was manufactured in the U.S., or in any foreign country or locality, shall be admitted to entry at any customhouse in the U.S.

Special Requirements

Restrictions, prohibitions and other agency requirements

The importation of certain classes of merchandise into the U.S. may be prohibited or restricted to protect the economy and security, to safeguard consumer health and well being, and to preserve domestic plant and animal life. Some commodities are also subject to an import quota or restraint.

Many of these prohibitions and restrictions on importation are subject, in addition to Custom requirements, to the laws and regulations administered by other U.S. Government agencies with which Customs cooperates in enforcement.

These laws and regulations may, for example, prohibit entry; limit entry to certain ports; restrict routing, storage, or use; or require treatment, labeling, or processing as a condition of release. Customs clearance is given only if these various additional requirements are met. This applies to all types of Importations, including those made by mail and those placed in foreign-trade zones.

The Canadian exporter should make certain that the U.S. importer has provided proper information to permit the submission of necessary information concerning packing, labeling, etc., and that necessary arrangements have been made by the importer for entry of the merchandise into the U.S.

It is impracticable to list all articles specifically; however, various classes of articles where restrictions, prohibitions and other agency requirements apply are noted below:

— cheese, milk and dairy products
— fruit, vegetables and nuts
— insects
— livestock and animals
— meat and meat products
— plant and plant products
— poultry and poultry products
— seeds
— arms, ammunition, explosives, and implements of war
— radioactive materials and nuclear reactors
— household appliances
— flammable fabrics
— radiation producing products
— radio frequency devices
— foods, cosmetics, etc.
— biological drugs
— biological materials and vectors
— narcotic drugs and derivatives
— gold and silver
— counterfeit articles
— monetary instruments
— postage stamps
— pesticides, toxic and hazardous substances
— textile, wool and fur products
— trademarks, trade names, and copyrights
— wildlife and pets
— foreign assets control restrictions
— foreign excess property
— obscene, immoral, and seditious matter
— petroleum and petroleum products
— products of convict or forced labor
— unfair competition.

Alcoholic beverages

Any person or firm wishing to engage in the business of importing distilled spirts, wines, or malt beverages into the U.S. must first obtain an importer's basic permit from the Bureau of Alcohol, Tobacco and Firearms,

Department of the Treasury, Washington, DC 20226. The agency is responsible for administering the Federal Alcohol Administration Act.

Special requirements exist for alcoholic beverages with regard to the following:

— marking
— certificate of label approval
— red strip stamps
— foreign documentation
— requirements of other agencies
— confectionery containing alcohol.

Motor vehicles and boats

All imported automobiles or automobile equipment, whether new or used, manufactured after December 31, 1967 (except those designed for competition, show, test, or experimental purposes), will be refused entry into the U.S. unless they are in conformity with applicable Federal motor vehicle safety standards.

An automobile or automobile equipment imported solely with the intention of exportation and so labeled is exempt from these safety standards.

A declaration, NHTSA Form HS-7, is required to be filed at the time of entry for all such importations.

For complete information, write to the U.S. Department of Transportation, Office of Enforcement, Motor Vehicle Program. National Highway Traffic Safety Administration, Washington, D.C. 20590.

The Clean Air Act, as amended, prohibits the importation into the U.S. of any motor vehicle or motor vehicle engine not in conformity with emission standards prescribed by the U.S. Environmental Protection Agency (E.P.A.). For imported vehicles, these standards apply whether the vehicle is new or used. Vehicles imported for display, competition, or testing are allowed entry provided they are not sold or licensed for use on the public roads.

In addition to passenger cars, certain trucks, multipurpose vehicles (e.g. campers, motorcycles, etc. are subject to E.P.A. standards. Model years covered bY E.P.A. go back to 1968. All complying 1971 and later models are required to have a label in a readily visible position in the engine compartment stating that the vehicle conforms to U.S. standards.

A declaration, E.P.A. Form 3520-1, is required to be filed at the time of entry for all nonconforming importations. A nonconforming vehicle or engine may be admitted under bond provided it is brought into conformity within the time period specified by E.P.A.

For further information, including details of anticipated requirements and procedures, contact: Environmental Protection Agency, Public Information Centre (PM 215), Washington, DC 20460.

Imported boats and associated equipment are subject to U.S. Coast Guard safety regulations or standards under the Federal Boat Safety Act of 1971. Products subject to standards must have a compliance certification label affixed. Certain hulls also required a hull identification number to be affixed. A U.S. Coast Guard import declaration is required to be filed with entries of nonconforming boats. Further information may be obtained from the Commandant. U.S. Coast Guard, Washington. DC 20593.

Vessels that are Canadian built may be used in the U.S. for pleasure purposes. Questions concerning the use of Canadian-built or foreign flag vessels should be addressed to Chief, Carrier Rulings Branch, U.S. Customs Service, 1301 Constitution Ave., N.W.. Washington. DC 20229.

Import quotas

An import quota is a quantity control on imported merchandise for a certain period of time. Quotas are established by legislation, by directives and by proclamations issued under the authority contained in specific legislation.

The majority of import quotas are administered by the U.S. Customs Service. The Commissioner of Customs controls the importation of quota merchandise but has no authority to change or modify any quota.

U.S. import quotas may be divided into two types: absolute and tariff-rate.

Tariff-rate quotas provide for the entry of a specified quantity of the quota product at a reduced rate of duty during a given period. There is no limitation on the amount of the product which may be entered during the quota period, but quantities entered in excess of the quota for the period are subject to higher duty rates.

Absolute quotas are quantitative; that is, no more than the amount specified may be permitted entry during a quota period. Some absolute quotas are global, while others are allocated to specified foreign countries. Imports in excess of a specified quota may be exported or warehoused for entry in a subsequent quota period.

The usual customs procedures generally applicable to other imports apply with respect to commodities subject to quota limitations.

The quota status of a commodity subject to a tariff-rate quota cannot be determined in advance of its entry. The quota rates of duty are ordinarly assessed on such commodities entered from the beginning of the quota period until such time in the period as it is determined that imports are nearing the quota level.

District directors of Customs are then instructed to require the deposit of estimated duties at the over-quota duty rate and to report the time of official presentation of each entry. A final determination of the date and time when a quota is filled is made, and all district directors are advised accordingly.

Local Customs officers can advise on quota limitations in effect at any specific time.

Also, pay heed to:

— commodities subject to quotas administered by customs
— import controls on textile articles
— quotas or licences administered by other government agencies for watches, watch movements and dairy products

Civil and Criminal Fraud Laws

Section 592 of the Tariff Act of 1930, generally provides that any person who by fraud, or negligence, enters, introduces, or attempts to introduce merchandise into the U.S. by means of any material and false written or oral statement, document or act, or by any omission which is material will be subject to a monetary penalty. The person's merchandise may be seized, in certain circumstances to insure payment of the penalty and forfeited if the penalty is not paid.

The civil fraud has been applied by the Customs Service in cases involving individuals and companies in the U.S. and Canada which have negligently or intentionally provided false information concerning importations into the U.S.

A criminal fraud statute also provides for sanctions to those presenting false information to Customs officers. Title IB, U.S. Code, section 542, provides a maximum of 2 years' imprisonment, or a $5,000 fine, or both, for each violation involving an importation or attempted importation.

Both of these statutes were enacted by Congress to discourage persons from evading the payment of lawful duties owed to the U.S. They are enforced by special agents assigned to the Office of Investigations who operate throughout the U.S. and in the major trading cities of Canada.

Foreign Trade Zones

Foreign or "free" trade zones are secured areas legally outside a nation's customs territory. Their purpose is to attract and promote international trade and commerce.

Zones are operated as public utilities by states, political subdivisions, or corporations chartered for that purpose. Charges are made for use of the facilities. Foreign-trade zones are usually located in or near customs ports of entry, at industrial parks or terminal warehouse facilities.

Subzones are located in the zone user's private facility.

Canadian exporters planning to expand or open up new American outlets may forward their goods to a foreign trade zone in the U.S. to be held for an unlimited period while awaiting a favorable market in the U.S., without being subject to customs entry, payment of duty or tax, or bond.

Savings may result from "manipulations" and manufacture in a zone.

For example, many products, shipped to the zone in bulk, can be dried, sorted, graded, or cleaned and bagged or packed, permitting savings of duties and taxes on moisture taken from content or on dirt removed and culls thrown out.

From incoming shipments of packaged or bottled goods, damaged packages or broken bottles can be removed. Where evaporation results during shipment or while goods are stored in the zone, contents of barrels or other containers can be regauged and savings obtained, as no duties are payable on the portions lost or removed.

Savings in shipping charges, duties, and taxes may result from such operations as shipping unassembled or disassembled furniture, machinery, etc., to the zone and assembling or reassembling them there.

Merchandise may be re-marked or relabeled in the zone to conform to requirements for entry into the commerce of the U.S., if otherwise up to standard.

There is no time limit as to how long Canadian merchandise may be stored in a zone, or when it must be entered into customs territory, re-exported, or destroyed.

Location of, and general information on U.S. Foreign-Trade Zones may be obtained from the Foreign-Trade Zones Board, Department of Commerce, Washington. DC 20230.

Commercial Disputes

In the event of commercial disputes, a Canadian firm can seek advice from the Canadian Council, International Chamber of Commerce, c/o The Canadian Chamber of Commerce, 1080 côte du Beaver Hall, pièce 712, Montréal (Québec) H2Z 1T2.

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We gratefully acknowledge the following sources in the compilation of this booklet:

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Alberta International Centre
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Export Development Corporation
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425 - 1st Street S.W.
Calgary, Alberta T2P 3L8
Telephone: 294-0928

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